

**A Resolution of the Common Council of the City of Evansville Confirming
the Property Tax Phase-In
for Redevelopment/Rehabilitation of Real Property**

HK Partners, LLC
(5011 Washington Avenue, Evansville, Indiana)

WHEREAS, HK Partners, LLC (the "Applicant") has made application for Tax Phase-in in the Economic Development Target Area, pursuant to IC 6-1.1-12.1 et seq and Evansville Common Council Resolution C-2002-3 As Amended (the "Tax Phase-In Resolution"), for the property located at: See Section 1; and

WHEREAS, heretofore under provisions of Resolution C-2002-3, the Common Council of the City of Evansville found the above-described property to meet the requirements pursuant to IC 6-1.1-12.1 et seq and declared said property to be qualified for tax phase-in; and

WHEREAS, the property, See Section 1, has been designated an Economic Development Target Area, pursuant to IC 6-1.1-12.1 et seq. in Ordinance G-2014-27.

WHEREAS, notice of the adoption and substance of the above mentioned resolution has been published in accordance with IC 5-3-1 and the Common Council of the City of Evansville has conducted a public hearing as of the date hereof to determine whether the qualifications for an economic Revitalization Area have been met; and

NOW, THEREFORE, BE IT RESOLVED by the Common Council of the City of Evansville as follows:

Section 1. The property known as 5011 Washington Avenue, Evansville, Indiana and more particularly described as follows:

82-06-36-017-134.001-027; 82-06-36-017-134.008-027

have been found to meet the qualifications for tax phase-in as outlined in IC 6-1.1-12.1-7.:

Section 2. Preliminary resolution C-2014-21 adopted by the Common Council on August 25, 2014, is hereby confirmed.

Section 3. The Statement of Benefits submitted by and dated June 10, 2014, is hereby approved.

Section 4. This Resolution shall be in full force and effect from and after its passage by the Common Council, signing by the Mayor, and advertisement, if any, as required by law.

FILED

OCT 08 2014

Anna Widner
CITY CLERK

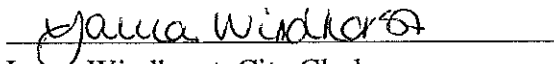
The Common Council of the City of Evansville, Indiana, on the 27 day of October, 2014, on said day signed by the President of the Common Council and attested by the City Clerk.



John Friend, President of the Common Council, City of Evansville, Indiana

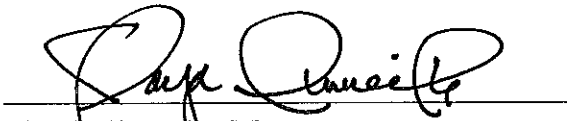
ATTEST: Laura Windhorst

Presented by me, the undersigned City Clerk of the City of Evansville, Indiana, to the Mayor of said city, this 29 day of October, 2014, at 12:30 o'clock P.m. for his consideration and action thereon.



Laura Windhorst, City Clerk
City of Evansville, Indiana

Having examined the foregoing ordinance, I do now, as Mayor of the City of Evansville, Indiana, approve said ordinance and return the same to the City Clerk this 30th day of October, 2014, at 2:00 o'clock P.m.



Lloyd Winnecke, Mayor
City of Evansville, Indiana

APPROVED AS TO FORM
BY TED C. ZIEMER, CORPORATION COUNSEL



Project: Washington Square Mall (WSM) Renovation and Modernization
Redevelopment of Obsolete Commercial Corridor

For Consideration: The South Green River Road Commercial Corridor is in need of new investment for renovation and modernization to return it to an attractive and viable corridor for retail/commercial business growth.

During the 4th quarter of 2013, we received an application for incentives from Midland Atlantic to support their plans to give WSM a facelift and build a new, bigger Schnucks grocery. Midland had a portfolio of successful commercial center renovations similar to that proposed for WSM. They had an economic model for the proposed project which had specifications for economic development incentives, mall purchase price, construction costs, and lease rates that were required for them to justify the investment. They requested TIF, significant abatements, etc. that we did not feel we could justify to elected officials for a commercial/retail project. Furthermore, other elements of their economic model could not be met. Midland did not proceed.

The experience with Midland appears to indicate that private investment to redevelop this commercial corridor cannot be justified without some public incentive.

Another application for incentives has been received from HK Partners, LLC for a similar project scope. WSM owner, Gene Hahn, is one of the partners in HK. They propose to invest \$12.5 million.

- The front of the mall facing Green River Road will have a total new façade with a new, modern look. All stores along that front will have entrances facing Green River Road.
- There will be a new and upgraded entrance for the internal stores.
- New store spaces within the mall will be added and existing store spaces will be upgraded.
- The structure on the South end of the mall that was formerly L.S. Ayers will be demolished; in its place a new, 70,000 SF Schnucks Grocery will be constructed.

Employment levels by tenants of the mall have declined over the past three years to a total of 380 full-time paid an average wage rate of \$12.50/hr plus benefits, and 70 part-time positions.

- With the proposed project, full-time employment levels are forecasted to rise to a total of 540 by 2018, with an average wage rate of \$14.50/hr plus benefits. Part-time employment levels are forecasted to rise to a total of 110.

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OCT 08 2014

Anna Windhager
CITY CLERK

- HK partners, LLC has estimated that without the investment to upgrade the mall, employment will continue to decline, losing an estimated 140 full-time and 50 part-time jobs.

The positive economic impact of the real estate investment and only the new, fulltime jobs added over the next 4 years would be approximately \$11.4 million per year. Part time jobs were not considered in this impact assessment.

The negative economic impact of the fulltime jobs that are forecasted to be lost without the investment is approximately \$11.9 million per year. Part time jobs were not considered in this impact assessment.

**Proposed
Incentive Offer:**

We would not traditionally recommend an incentive for a commercial/retail project as it would not pass the “but for” test; i.e. “but for” the incentives, the project would not proceed. This project is different in that we have evidence that “but for” some public incentive, redevelopment of the South Green River Road commercial corridor will not proceed. Reference the Midland Atlantic project described earlier in this summary.

There is evidence that private investment to develop new, green field commercial buildings can often provide investors a greater return than renovation of older, existing buildings. However, redevelopment of existing commercial corridors instead of building new, green field commercial spaces supports the recommendations of the SEAC report for a sustainable community. We are finding that a public incentive to support redevelopment can level the playing field and drive the desired redevelopment.

The scoring criteria used for evaluation (attached) supports an offer of a 9 year phase-in on taxes associated with the new investment and jobs. However, since this is a retail/commercial project and forecasted wage rates for the retail jobs are below the current county average, the **proposal is to offer a 7 year tax phase-in on incremental real estate taxes** associated with the investment. The **value of the tax abatement to HK over the abatement period would be approximately \$1.09 million.** The basis for the recommendation is sparking redevelopment of an outdated commercial corridor to promote additional private investment, improving quality of place, and supporting sustainability.

As with other projects, it is proposed that a **Memorandum of Understanding (MOU)** be executed that allows the option for “claw back” in the event operations that support the new jobs forecasted are shutdown to move to another community.

Summary Prepared 8/6/14 by:

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